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SUBJECT: SCENESETTER FOR TRANSPORTATION DEPUTY SECRETARY'S VISIT TO UGANDA (APRIL 16-18)

¶1. As requested, the following message provides an overview of the transport sector in Uganda for the visit of the Deputy Secretary of Transportation (April 16-18).

¶2. SUMMARY: The Ugandan transport sector is experiencing a period of rapid growth, due to Government of Uganda (GOU), private sector, and donor community investments. President Museveni views Uganda's land-locked status as a major impediment to development, and is preoccupied with increasing routes to the sea. Unrest in Kenya earlier this year blocked Uganda's primary route to the sea, demonstrating its dependence on a single dilapidated road/rail route. Air traffic has increased substantially, alleviating some international travel and transport challenges for high-value goods. Uganda has partnered with the East African Community (EAC) countries to meet International Civil Aviation Organization (ICAO) standards with the help of Safe Skies for Africa, a U.S. initiative. Uganda is investing in the development of its railroad, ferry, and road links with its neighbors to provide alternative transport routes to the sea. U.S. programs, such as Safe Skies, are viewed favorably in Uganda, because they link Ugandans and Ugandan products to international markets and opportunities. END SUMMARY.

¶3. Major transport infrastructure deficiencies remain throughout Uganda, despite the transport and communication sector's annual average growth rate of 19.2 percent since 2002. The sector's contribution to GDP increased to 9.6 percent in 2006, from 5.2 percent in 2001. The International Monetary Fund predicts seven percent economic growth rate in 2008, driven largely by GOU, private sector, and donor community commitment to construct and upgrade regional transportation networks.

¶4. For almost two months following the announcement of the Kenyan election results in late December 2007, trade links that connect Uganda, Rwanda, Burundi, eastern Democratic Republic of Congo (DRC), and Southern Sudan to the sea were halted frequently by road blocks and violence in Kenya, and fear on the part of truck drivers crossing Kenya en route to Mombasa. In Uganda, the public decried the country's reliance on a single trade route, as well as the Government's inability to respond quickly to the crisis. Though trade routes through Kenya have since reopened, the Government of Uganda is working with Tanzanian authorities to develop an alternative trade route for petroleum products and other goods. The goal is to increase the percentage of trade flowing through Tanzania to 30 percent, from the current share of around ten percent.

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Air Transport Takes Flight
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¶5. The EAC countries (Uganda, Kenya, Tanzania, Rwanda, and Burundi) are working together as a regional block, in partnership with the U.S., to improve aviation infrastructure and meet ICAO standards. In Uganda, the Safe Skies for Africa initiative has resulted in notable safety improvements, especially in the lead up to the Commonwealth Heads of Government Meeting (CHOGM), held in Kampala in November 2007. A new digital CCTV system and control room have been added to the airport and will be upgraded over time to improve

surveillance of the airport terminal area. Uganda Civil Aviation Authority (CAA) employees have access to upgraded communications equipment. The CAA plans to provide more training to safety and security personnel as they develop their oversight programs in coordination with Uganda's EAC partners.

¶6. Air traffic has increased substantially in the past several years with a number of daily direct flights to regional and European hubs. There are 26 airports in Uganda, four of which have paved runways, including Uganda's international airport in Entebbe. Passenger air traffic grew about 22 percent in 2007, compared to a 16.6 percent growth rate in 2006, to an estimated 350,000 passengers entering the country via air. Kenya Airways, Ethiopian Airways, Air Tanzania, South African Airways, and Rwanda Air Express have added flights to Uganda. In 2007, KLM began offering four direct flights a week between Amsterdam and Entebbe. British Airways now has direct flights between London and Entebbe. As of 2007, Air Uganda, a domestic carrier, started operating daily regional flights to Juba, Southern Sudan, and to Kenya and Tanzania. The main cargo carrier in Uganda, DAS Air, closed in January.

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Rail Network: Getting Back on Track
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¶7. The main railway line runs from Kenya, through Kampala to Kilembe, in western Uganda. The rest of the approximately 800 miles of rail track in Uganda is inoperational. In September 2007, the Government of Uganda announced plans for a large network of additional railway lines within the EAC. The Government is considering building and improving rail links between Uganda and Southern Sudan, Ethiopia, and the Democratic Republic of Congo (DRC).

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¶8. The Government of Uganda privatized the Uganda Railways Corporation in November 2006. This line is a key part of East Africa's transport and trade infrastructure. The Rift Valley Railways Consortium (RVRC), led by a South African firm, paid USD 288 million for a 25 year concession to manage and operate the railway, which links Uganda with the sea at Mombasa, Kenya. At the time of privatization, the government-owned railway company had almost totally collapsed. The new management reduced the work force from 1,300 to 550 to ensure efficiency. The Rift Valley Railways Consortium estimates that it will be four years before it reestablishes passenger services. In late 2007, the RVRC announced that it planned to invest USD 130 million over the next five years in the railway line. On completion, the share of cargo that is moved by train between Mombasa and Uganda is expected to surge to 75 percent from the current share of 9 percent. The railway transports 60,000 tons of cargo, primarily raw materials, into Uganda each month. It exports about 20,000 tons of cargo per month.

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Water Transport Needs: Shape Up to Ship Out
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¶9. Formerly, steamships carried cargo and passengers along the country's major lakes and navigable rivers. Today, Lake Victoria has a limited capacity to transport commercial traffic, and there is no regular service on the Nile or other lakes. Two freighters, Motor Vessel (MV) Pamba and MV Kawa, which transported goods across Lake Victoria from Tanzania, collided in 2005 and were rendered inoperable. The Government has secured funds to repair the two vessels, as part of an effort to increase traffic on Lake Victoria by the end of the year. The first privately owned ferry company to transport goods on Lake Victoria, Kamanga Ferry Limited (KFL), was commissioned in March 2008. KFL has a fleet of three ferries with a capacity of 270 tons each. Water transport is three to four times cheaper than road transport from Tanzania to Kampala.

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On the Road to Improvement
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¶10. The roads in Kampala were significantly improved for CHOGM, but road repair, maintenance, and rehabilitation are needed in the cities and outlying areas. In the capital and in rural areas, many roads are impassable during the rainy season. Uganda has about 28,000 miles of roads of which 6,213 miles are main roads and 21,747 miles are feeder roads. Paved roads extend primarily from the capital to Uganda's main cities and to its borders with Kenya, Rwanda, and Tanzania. The number of traffic accidents throughout the country is high due in part to poor road conditions.

¶11. The Lagos-Mombasa Highway, part of the Trans-Africa Highway network that aims to link East and West Africa, runs through Kampala. However, part of the route across DRC and the Central African Republic requires reconstruction in order to reach West Africa. The European Union recently signed a USD 110 million grant to Uganda for the rehabilitation of parts of the Northern Transport Corridor, which runs from Mombasa, Kenya through Uganda into Rwanda and the DRC. The corridor connects the interior landlocked countries to the Mombasa port.

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Comment
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¶12. Transport needs in Uganda are vast. As a land-locked country, which relies on poorly maintained roads and rail system for trade links to the sea, Uganda stands to benefit greatly from an improved transport network. Aviation infrastructure is by far the most advanced of all the transport infrastructure, thanks in part to U.S. engagement, and GOU prioritization leading up to CHOGM in 2007.

BROWNING